

Autism Cost Reduction Legislation

March 2012

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Executive Summary

Autism is a complex developmental disorder impacting over 15,000 Michigan children with another 1,000 born each year. Autism impacts 1 out of 110 children. There is no known cause or cure.

Children with autism often wander or elope. Some children on the autism spectrum have such a tendency and lack of sense of safety that their parents have to keep the house on complete lockdown. In January of 2012, Sean Taglione, age 12 of Troy Michigan wandered from his home and into traffic and was hit and killed. A recent poll conducted by the National Autism Association indicates that 92% of children with autism wander, sometimes resulting in serious injury or death.

Without treatment, lifetime costs are \$3.7 million or \$58 billion for Michigan. The costs of non-treatment are here today and are embedded in taxes and other societal costs. Michigan families are leaving the state for treatment, Michigan's autism trained college graduates leave to find work and Autism Speaks ranks Michigan in the top ten worst places to raise a child with autism. Twenty-Nine states have passed autism legislation and most others have it on their legislative agendas, making Michigan a less competitive state for attracting and retaining a skilled work force. Most importantly, autism is the only catastrophic illness not covered by insurance in Michigan.

Without insurance there are virtually no medical therapists and access to treatment is almost non-existent. Self-pay and company self-adoption doesn't work without therapists. Without legislation the system is paralyzed. However, with assessments and therapy, 50% of the children achieve normal function and an additional 40% significantly improve. The legislation will save \$14 billion in lifetime cost, double if self-insured plans follow and they will. \$1.5 to \$3 billion in savings will go to the schools. The legislation is narrow in scope. It defines diagnostic criteria and provides only for medically supervised, evidenced-based therapies. The legislation will retain families and college graduates. Initial costs are less than 1/10 of 1% or about 58 cents per person, per month. Costs will level off at a 0.36% increase. This is an example of making an investment to produce large savings.

Reasons to Consider Autism Cost-Reducing Legislation

Economic

- ✓ Substantial lifetime savings – average is \$2 million per child
- ✓ School benefit cost savings of over \$200,000 per child
- ✓ Shifts tax dependents into tax payers. Over 50% can become independent, productive members of society and pay taxes instead of becoming wards of the state
- ✓ Businesses avoid paying lifetime medical costs for dependent adults
- ✓ More productive employees who are parents of children with autism
- ✓ Retain college graduates with autism therapy degrees
- ✓ Avoid families leaving Michigan to move to States that have coverage and therapists available

- ✓ There are only two ways to spread the risk of catastrophic illness – Government through tax dollars or through insurance.
- ✓ Insurance without a mandate is the same as self-insurance and is too costly for most employers or individuals

Societal

- ✓ Only catastrophic medical condition that is not covered and specifically excluded
- ✓ Move 50% of children to normal function and mainstream. 40% more dramatically improve
- ✓ Avoid producing wards of the State with lifetime housing, supervision and medical costs
- ✓ Avoid high parental stress related medical costs and higher divorce rates in families with a child with autism.
- ✓ Take burden of often uncontrollable children off the schools, allowing them to teach

Economic Analysis and Cost Reduction

As business leaders we have to make many decisions with limited resources: Where to invest, how to invest, where to spend more expense dollars and where to reduce dollars. We have very tight criteria on how we benchmark, where we invest, the returns we expect, the timing of financial payback and the impact on our customer. Everything we do starts with the customer by looking at how we can provide the lowest cost, highest quality service.

Along that line, there are many times we have to spend money to save money. Preventative maintenance is a good example. We predicatively spend a lot of money in order to lower our overall cost structure.

Proposals to “spend money to save money” require financial analysis often looking at life-cycle costs. Health care has many similar cost savings initiatives. As we all struggle to hold down active and retiree health care inflation, there are many health care areas where we spend money to save money. Examples would be a new company work-out/exercise facility and stay-well initiatives. There are many areas of health care that it is clear if we focus and encourage treatment such as smoking cessation or weight loss, we will save money over time. In some cases we have to be more direct and require time and money be spent on items like annual physicals and chronic health conditions. We do this because we want healthy, engaged employees and we have economic studies that show if we spend money in these areas it will lower health care costs.

Additionally, groups like the Healthcare Leadership Council are asking questions overall about health care and value. Specifically they are suggesting we need to have a balanced conversation that would include consideration of the return on that investment; that health gains must be an integral aspect of the dialogue on rising health expenditures. They suggest that of greatest importance is value; what did a medical dollar spent buy in return? The least expensive medicine or treatment may not yield the best value. More care may not result in better clinical outcomes.

Lawrence Reed, President Emeritus of the Mackinac Center for Public Policy had seven principles. One was:

“Sound policy requires we consider the long-run effects and all people, not simply short-run effects and a few people. Lawmakers should not enact policies to make a few people feel good now at the cost of hurting many people tomorrow.”

The Autism Cost Reduction Proposal outlined below takes a long-term view and considers all people.

In summary, I understand the challenge we are facing as a business community in managing health care costs. At the same time, just like I would not say "no" to every business proposal to spend money to save money, all mandates are not the same and we need to be flexible. Some are not funded, some are. A mandate can stand on its own merits and should be considered based on the economic analysis, if there is one. I also suggest that we as leaders should not be concerned about saying "yes" to one proposal or mandate and believe we are then on a slippery slope. Each public policy proposal should stand on its own economic footing; to say "yes" to one proposal should not prevent us from rejecting others. Therefore, since autism is the only catastrophic illness not covered by insurance in Michigan, it must be considered in a different light than other mandates.

Autism Insurance Reform Proposal

The economics on this proposal are clear and that is why 29 states have passed this legislation. Fourteen other states have autism insurance reform on their legislative agendas.

Why is Autism Different as an Insurance Reform Proposal?

Background

- Over the lifespan, the average societal cost of caring for 1 person with autism is \$3.7 million. (*Harvard School of Public Health, 2006*).
- Today, 1 in 110 individuals (1 in 70 boys) is diagnosed with Autism, making it more common than pediatric cancer, diabetes, and AIDS combined. It occurs in all racial, ethnic, and social groups.
- Over 15,000 children in Michigan have autism. One thousand more are born each year.
- Research has shown that the earlier the treatments, the greater the lifetime impact to the child. If autism is not treated, in many cases the child will likely require full time care for the rest of his or her life. The cost for non-treatment is incurred by Michigan companies (disabled children usually get lifetime medical insurance), families and the State.
- Healthcare plans in Michigan systematically excluded many of the prescribed, medically proven treatments for autism. It is the only catastrophic medical condition that is not only not covered, but is specifically excluded from medical insurance coverage
- In addition to the crushing financial burden, the time, energy and stress of parenting children with autism can impact employment, health and marriage. Divorce rates for parents of children with autism are extremely high.
- Autism is the only catastrophic illness not covered by insurance in Michigan.

Key Economic Modeling Assumptions

- 15,000 or more children in Michigan with autism
- Research shows with early identification, appropriate intervention and treatment, almost 50% recover typical function and another 40% make significant progress
- Less than 15% of Michigan's children with autism receive the access to therapies and services today (Dr. Catherine Lord, UofM)

Lifetime Savings

While less than 15% of the children with autism have access to services, one has to look at the significant differential in lifetime costs. A child with no intervention, on average will cost \$3.7 million over their lifetime. A child with autism that achieves typical function after therapy has a lifetime cost of \$644,000. This is a reduction of over \$3 million net of incremental costs per person! Quickly you can see that if early identification and intervention can save \$3 million per person for almost half of the population with autism, it produces large financial savings.


The following is a summary on lifetime savings:

	Receive Treatment				
	<u>Achieves Typical Function</u>	<u>Significant Improvement</u>	<u>Little Progress</u>	<u>No Intervention</u>	<u>Net Savings</u>
Lifetime Cost	\$643,675	\$2,055,235	\$3,944,496	\$3,668,322	\$3,668,322
Incidence Rate	47%	40%	13%	--	--
Weighted Figure	\$302,527	\$822,094	\$512,784	--	<u>\$1,637,405</u>
Net Savings					\$2,030,917

Conservative total Michigan cost savings: \$14 billion, not including ERISA Plans.
Michigan Coverage: 50-% Non-ERISA, 50% ERISA.

Costs Impact to Provide Coverage

The cost to provide services impact is small. Oliver Wyman, part of Marsh and McLennan conducted an actuarial analysis of Senate Bills 414 and 415 in September 2011.

	<u>Actuarial Estimated Impact on Costs</u>			<u>Projected Individual Costs</u>
	<u>Year One</u>	<u>Year Six</u>		
Low	.08%	.24%		Initial Costs are estimated at 58 cents per month
Medium	.18%	.36%		
High	.33%	.50%		

Why a Mandate?

One obvious question is why would the State have to mandate this? The free market model holds that employers act in an economically rational fashion and therefore would demand autism from insurers if autism issues were truly impacting their bottom line. The free market will not, however, deal with autism on its own, since employers can only take the economically rational approach. Since the only way to spread risk for catastrophic illness is through government using tax dollars or through insurance, individual company decisions, no matter what the impact of autism in the workplace, in fact, would be self insurance without an insurance mandate to spread the risk.

Access to Services

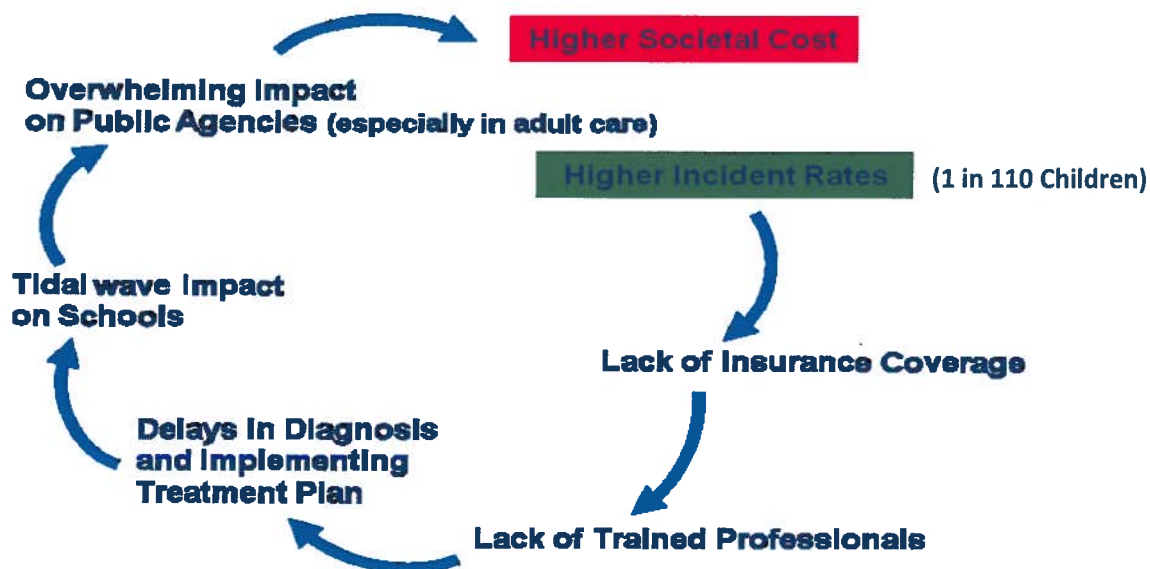
Since this is not a covered benefit, early assessment and identification often doesn't happen. While medical identification can be done as early as age two, often the child is not assessed until age 6 or later.

Secondly, once assessed there are few services available. One of the key therapies for children with autism is behavior therapy. This therapy should be provided by a certified behavior therapist. In Michigan there are 30 certified behavior therapists to serve 15,000 children. This compares to Florida where the insurance is in place and there are 2,000 therapists.

The reality is many families can't get the services that can move the child towards normal function. While some services are available in the metro Detroit area, for much of the state there are no services, and the few that children receive are services from self-taught parents.

A former Michigan Legislator with a child with autism recently talked about how hard it is to find any services at all in his region of the state. As he said, "I would sell my house tomorrow to pay for the services that are needed, but I can't find anyone to help." This is a direct result of not having insurance coverage.

So we continue the high cost route. The costs of not providing assessments and services show up in many costs to businesses including lifetime medical costs, higher prescription coverage, parent lost time and absenteeism, higher parental stress related medical conditions and the like.



CEO's Perspective of Autism Coverage

After studying the economics, DTE energy joins companies like Microsoft, Home Depot, Deloitte and others in self-adopting coverage for children with autism. We believe this makes good business. However, in many parts of the state this is a hollow benefit for our employees because there are no therapists. The following points are used by DTE's former CEO Tony Earley to explain the reasons:

Impact on Employees and Customers

With no access to medically proven therapies

- Large out-of-pocket expenditures
- Significant parental stress and exhaustion
- Higher parental medical issues and expenses
- Higher divorce rates
- Forgone employment or reduced work hours



Results

- ✓ Lost productivity and cost for Michigan
- ✓ Significant financial burden on family
 - Out-of-pocket cost
 - Lost wages

By Covering Autism Business Achieves:



- Greater employee productivity
- Employee retention is maximized – employees will not feel the need to leave Michigan in search of a job with state-regulated insurance
- Children who achieve higher levels of functioning
 - have lower overall health care costs
 - do better in school
 - need less assistance from their families, from whom autism often exacts a terrible financial and psychological toll
- A child is given the opportunity for a functional, happy life and is saved from a lifetime of institutionalization



Public Schools and Jobs

- Studies in other states show early assessment and intervention will reduce the need for special education services over their school life, saving \$200,000 per child. Supports schools by lowering school age cost by \$1.5 to \$3.0 billion.
- Michigan college graduates with degrees in behavior, speech and occupational therapy leave Michigan for states with autism insurance. This reform will create good paying professional jobs and help us retain some of our college graduates.
- More than 50% of children with autism can become productive workers in our society if properly treated.

Arguments used to oppose supporting this reform

Common Arguments Against Reform

- I can't support mandates  This, unlike others, is funded and will save at least \$14 billion and double that if ERISA plans follow. As the only catastrophic illness in Michigan not covered by insurance, the only way to spread the risk if not through mandated insurance is to provide it as a government service funded by taxpayers.
- Costs will be high and make insurance prohibitively costly  Actuarial studies do not support this statement. Initial premium increase is 0.18% or 58 cents per month.

- Therapies are experimental  This is not true. Therapies are supported by science and the Surgeon General, the National Research Council and the American Academy of Pediatrics.
- The schools already provide these services  Federal laws charge the schools with providing the child with autism a meaningful education. Schools do not, cannot, and should not be tasked with providing medical treatment. Research done by Michigan State University which was funded by Ambassador and Mrs. Eileen Weiser, showed that teachers don't have the training to teach students with autism and have low academic expectations.

Summary of Proposed Cost Reduction Legislation

- ✓ The legislation is narrow in scope
- ✓ Only licensed physicians and psychologists can provide diagnosis
- ✓ Autism diagnosis is defined by DSM IV criteria
- ✓ Limits treatments to evidenced-based therapies and provides for behavior, speech, occupational and physical therapies
- ✓ Behavior Therapy has to be provided/supervised by a board certified behavior therapist or licensed psychologist with extensive experience in ABA.
- ✓ Provides for checks and balances including reviews by insurers and managed care cost-containment practices

Alternative Methods to address this Problem have been explored

Insurance Riders or Mandatory Offering

Medical insurance spreads the risk of a catastrophic medical condition over large insurable pools. A rider or mandatory offering would only be selected by those afflicted. The result would be the same as self pay and won't spread the risk as is done for all other catastrophic illnesses in Michigan. It also won't increase the number of medical therapists. Mandatory offering would provide for adverse selection. Businesses not experiencing catastrophic illnesses, such as cancer can't opt out.

Expand Coverage with Public Schools

See comments above. Schools are required by IDEA to teach children with autism, not provide medical therapies.

Income Tax Deduction, Credit or Voucher

A Voucher would be a direct expense in the State Budget and to taxpayers. A credit or deduction would also be funded by the State and would not begin to cover the cost incurred by families.

Insurance

Insurance is an established mechanism to share the risk of catastrophic medical conditions

In the end, the only viable solution offered to Michigan families is to move out of State to obtain services. That is, of course if you can afford it.

Summary

- The business, medical, family and societal case has been made. This is different from other mandates. Independent actuarial studies and experience in states that have passed this reform verify the cost and benefits.
- This legislation is part of Michigan's Economic Reform. Without a change, Michigan will continue to produce more wards of the state instead of productive taxpayers.
- Every day, every week of no action is a sentence to each child with autism – time is of the essence. Without action, we are creating "lost years" for 15,000 children.
- The savings are at least \$14 billion and as high as \$28 billion.
- The cost to provide services increase is low.
- The time to act is 2012 to stop the human waste and to make Michigan more competitive

03/4/12